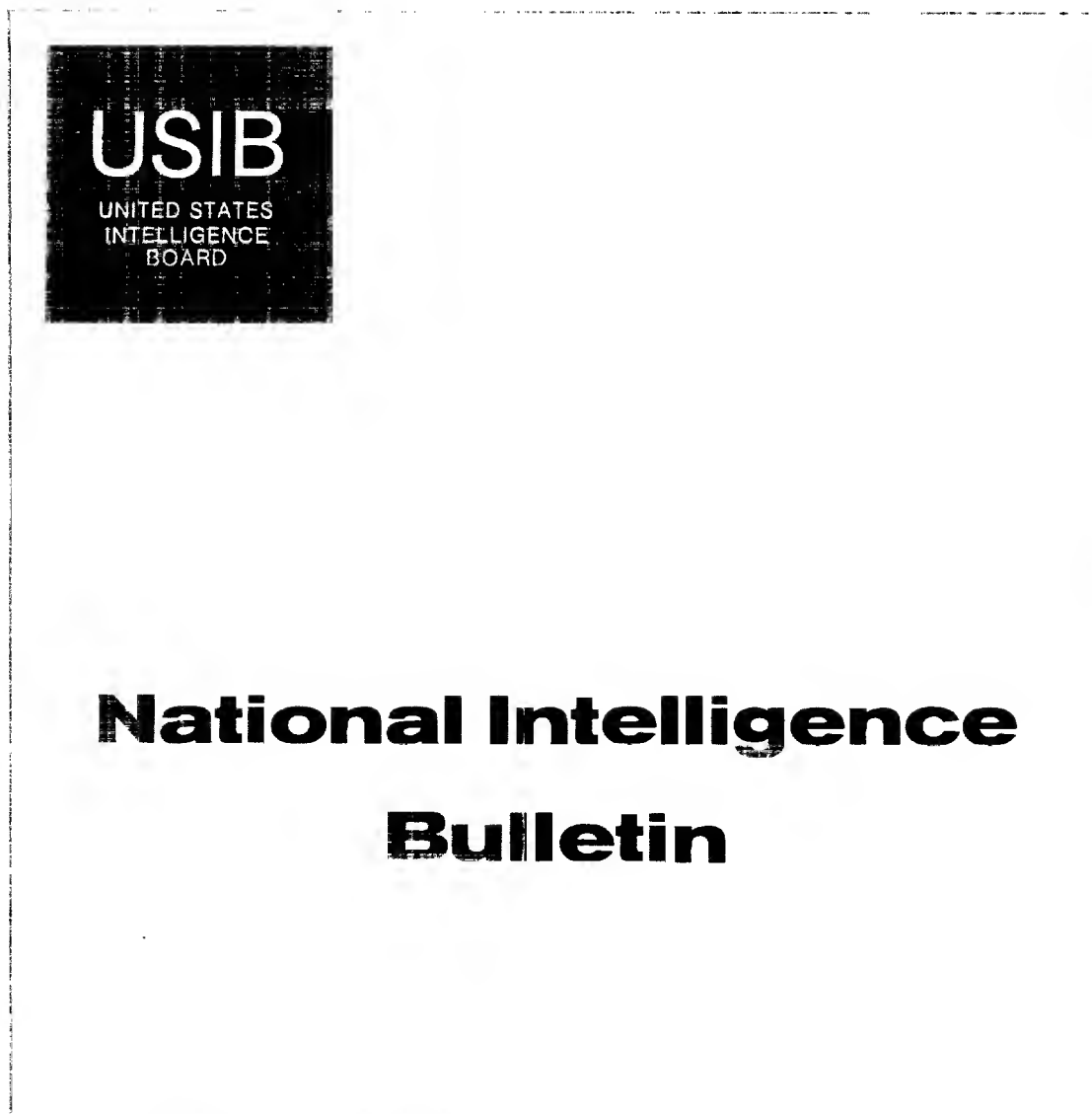


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CHINA

The recent spate of political wall posters attacking senior Chinese officials by name appears to be the latest round in the struggle between leftists and moderates for control of the anti-Confucius campaign. New instructions by the Central Committee issued late last month that authorized attacks on provincial leaders seem responsive to pressures from the leftists. The instructions reversed a series of earlier directives banning attacks by name.

Within the confines of the new ground rules, moderates in Peking seem to be trying to make the case that national leaders, even if they double as province chiefs, should not be considered fair game. New posters appeared in Peking last weekend criticizing Politburo member Hua Kuo-feng, who is also political boss of Hunan Province. The posters, clearly the work of leftists, have since been removed and replaced with others attacking the Hunan leadership in general but naming no names. Criticism last week of the Peking city leadership seemed aimed at another Politburo member, but no names were mentioned.

Although the new instructions now carry the weight of official party policy, they in fact have only caught up with the actual situation. For several months, many provincial leaders have been attacked in wall posters in open defiance of the earlier ban on such attacks. Most of these officials continue to appear publicly and to meet foreign visitors.

Chinese officials at both ends of the political spectrum seem unconcerned about the recent flurry of posters. Politburo member Yao Wen-yuan, a member of the party's extreme left wing, told a foreign diplomat that posters attacking individuals by name are permissible even if some of the attacks are wrong. Yao reassured his listener that "we know what we are doing." The removal over the weekend of posters attacking a Politburo member, however, suggests that the moderates are trying to prevent "wrong" attacks.

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Vice Foreign Minister Chiao Kuan-hua, who is close to Premier Chou En-lai, told another foreign diplomat that the party Central Committee will ultimately decide the fate of those currently under attack and that criticism of specific individuals does not necessarily mean that they will be purged. Chiao rationalized that such posters were an example of "democracy,"

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ITALY

Left-wing electoral gains in Sardinia and further political violence have added to the uncertainties surrounding Italy's government crisis.

Final returns from the regional elections in Sardinia--long a Christian Democratic stronghold--show a 7-percent gain for the Communists and a 6-percent loss for the Christian Democrats, Italy's largest party, compared to the last regional elections in 1969. Large shifts in Italian electoral patterns are unusual, and the Sardinian results will affect Prime Minister Rumor's efforts to resolve the quarrel between his Christian Democratic Party and the Socialists over the government's austerity program.

Rumor will meet today with the major leaders of the ruling center-left parties in another attempt to hold his government together. The soundings Rumor took over the weekend led him to believe that a compromise over the issues that divided the coalition was possible.

The Sardinian electoral results, however, may dispel his optimism and stiffen Socialist opposition. The Christian Democrats have been on the defensive since their defeat in the divorce referendum last month. The Socialists and other left-wing parties will interpret the Sardinian results as an indication of a trend away from the Christian Democrats that is not confined to the emotional divorce issue.

Voters apparently are directing their discontent at the dominant Christian Democrats because the party has not been able to control the rising cost of living or political terrorist activity. This image of a government that has lost control was accentuated yesterday when two neo-facist leaders were assassinated in their office in Padua. Neo-fascist party leader Giorgio Almirante issued a statement claiming the incident demonstrates that "Italy is living in a situation of civil war."

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The gravity of Italy's political and economic problems appears to be the only factor favoring Rumor's chances of reaching an accord today with his center-left partners. Any such agreement will be built on fragile foundations, however, and could easily unravel, the first time a decision is needed on a contentious issue.

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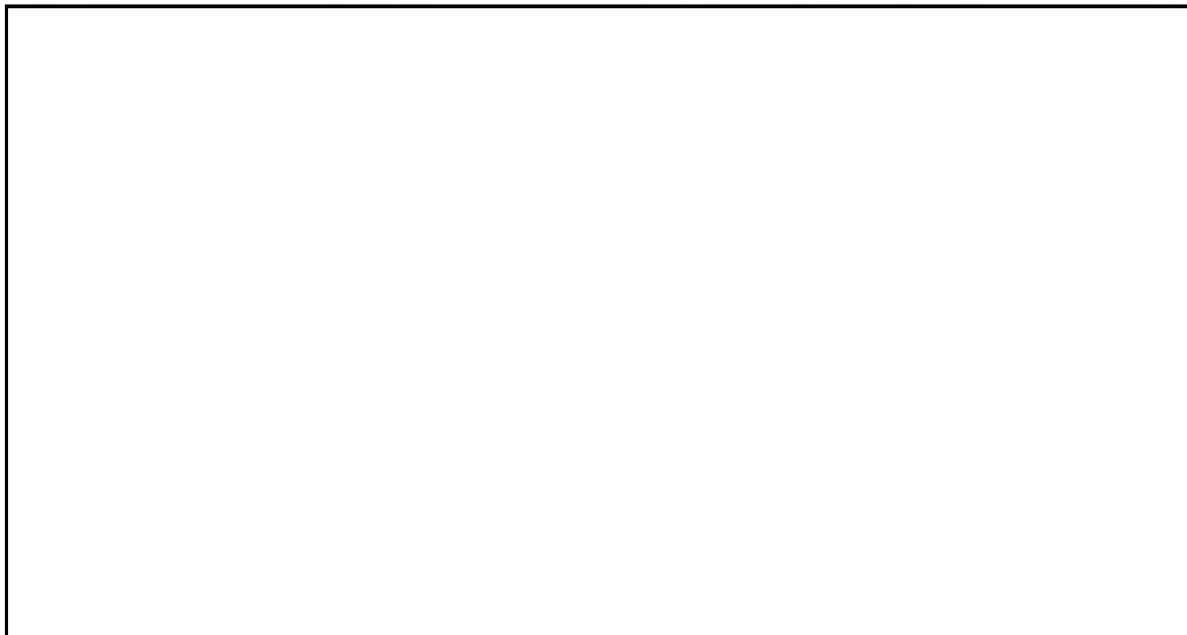
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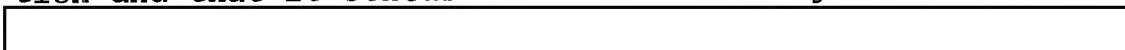
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US-CHINA

China and the US have reached compromises on the vexing issue of grain contamination that will permit a resumption of US agricultural commodity shipments to China.

Wheat deliveries of about 1.8 million tons under existing contracts, curtailed because of Peking's rejection of cargoes containing traces of contamination, are being resumed. Shippers are expected to introduce new procedures to ensure that deliveries are free of contamination. In return, China gave an unwritten promise that occasional cargoes of infected wheat will not be rejected.

In another move, Peking has agreed to accept 600,000 tons of US soybeans in lieu of 1.2 million tons of US corn remaining to be delivered under an existing contract. Deliveries of corn ran into a snag because the Chinese complained that it was too wet for human consumption and that it contained too much foreign matter.



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PORTUGAL

President Spinola continues to stump the country trying to consolidate his leadership in the midst of labor disputes and reported resignation threats by members of his cabinet.

His latest series of speeches was to military units, to whom he continues to stress the need for order, discipline, and military vigilance against extremists. He appears to be more concerned about extremists on the left than on the right.

Spinola's personal appeal to the rank and file is designed to ensure his control over the military and the Armed Forces Movement of younger officers who planned the coup that overthrew the Caetano regime. The movement is still an unknown quantity, and some members may be sympathetic to leftist ideology.

Meanwhile, the government is still taking a firm hand against labor disputes and activities by far-left groups considered detrimental to the country. Last week, it succeeded in forcing television agency employees to agree that TV programming is too important to be made the sole responsibility of the TV station's employees. For the moment, the government has succeeded in preventing unfettered leftist control of TV and radio by establishing the right of government supervision of program content.

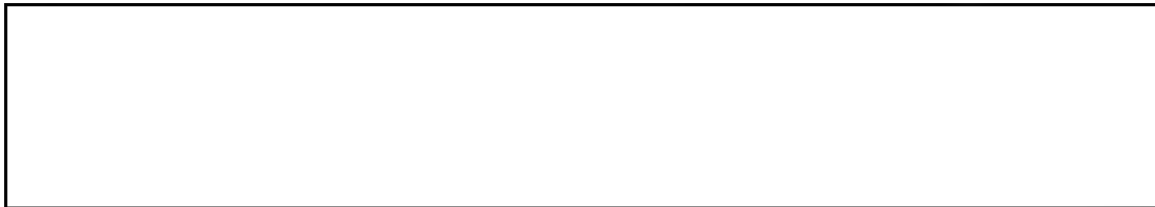
The only present work stoppage of major importance is the postal workers' strike, which began yesterday. The government issued a communiqué criticizing the strike, promising a study of worker grievances, and warning that it will show firmness in order to assure normalcy of the life of the country.

Spinola may also be faced with possible resignations in the cabinet, including Prime Minister Palma Carlos. The most pressing difference may be with Foreign Minister Soares. [REDACTED]

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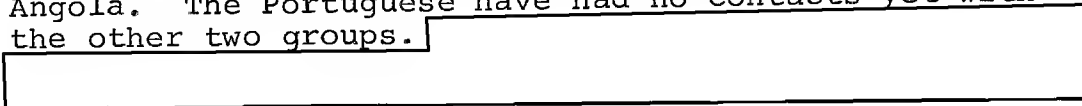


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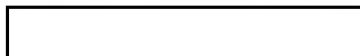
Spinola wants self-determination for the territories in a referendum to be held at some indefinite date, while Soares and his Socialist Party want more immediate steps to be taken that would lead to independence.

The talks with the Portuguese Guinea rebels have been suspended, however, and Soares' statement in Algiers that he would go next to Ottawa to attend the NATO conference may postpone a decision on overseas policy.

According to press reports, the Portuguese military command in Angola has reached agreement with one of the guerrilla groups to suspend hostilities. The agreement has little more than public relations value, however, inasmuch as the rebel band in question is the smallest of three such groups operating against the Portuguese in Angola. The Portuguese have had no contacts yet with the other two groups.



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ARGENTINA

The Marxist People's Revolutionary Army (ERP) recently announced plans to form rural guerrilla fronts, following four years of major successes in urban subversion. The terrorist leaders apparently intend to concentrate both on increasing internal activities and strengthening ties with similar groups in neighboring countries.

According to a communiqué signed by guerrilla leader Roberto Santucho, the move to develop an operating capability in the countryside will enable his organization to maintain closer contact with subversive groups in neighboring countries and "fan the flames of armed socialist revolution across South America." The communiqué stated that part of the funds obtained in the ransom of Exxon executive Victor Samuelson had been distributed to these groups.

The ERP announced earlier this year that it was establishing a coordinating junta with marxist organizations in Chile, Bolivia, and Uruguay, but there has been little evidence until recently of increased activity.

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The simultaneous development of urban and rural guerrilla fronts may also represent a propaganda effort to point up embarrassing failures of recent security operations. Last month, hundreds of police and soldiers raided a rural guerrilla base in northwest Argentina. The widely publicized operation came to an embarrassing end when the ERP temporarily seized the town from which the security forces had operated.

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Despite the new emphasis on rural guerrilla fronts, it is unlikely that the ERP will shift its main focus away from the cities. Rural areas could, however, serve as a temporary haven should the government's counter-terrorist program eventually prove more successful. Rural insurgencies in other Latin countries have generally failed for lack of local support.

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GREECE-TURKEY

Ankara has announced that a joint air and naval exercise will begin today in the Aegean Sea. Athens, meanwhile, has just completed a three-day exercise in the same waters. These moves come at a time when both sides are seeking to strengthen their claims in the Aegean before the Law of the Sea Conference begins on Thursday in Caracas. US attachés in Athens and Ankara report that both governments are viewing the maneuvers calmly and that neither anticipates a military incident.

The Greek and Turkish foreign ministers, in Ottawa for the NATO Ministerial Conference, may debate the seabeds issue today. Ankara has been concerned over reports that Athens intended to declare a 12-mile territorial limit.

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ORGANIZATION OF AFRICAN UNITY

The organization's 11th annual summit meeting last week in Mogadiscio was marked by bitter and protracted wrangling over the selection of a new secretary general. William Eteki, a Cameroonian, was finally approved as a compromise choice after an unprecedented number of ballots revealed that the summit leaders were unable to agree on either the Somali or Zambian foreign ministers, the two leading candidates. The election was necessary because the previous secretary general recently resigned.

Few details have emerged from the marathon 14-hour session in which Eteki was chosen, but some of the OAU's long-standing internal strains apparently surfaced and created bitter feelings. A number of French-speaking African leaders reportedly opposed the Zambian, a possible reflection of the historical and cultural differences between English- and French-speaking OAU members. The designation of Somali President Siad as OAU chairman for the coming year may have prompted the delegates to reject the Somali foreign minister for the organization's top administrative job.

Differences between African and Arab states may also have played a part in the defeat of the Somali candidate, who was supported by the OAU's Muslim members. Although the Arabs pledged after the October war to assist those African states hurt by high oil prices, African dissatisfaction with the aid received thus far was obvious at the summit. Prior to the meeting, the Arabs increased their aid offer to avoid any direct confrontation, but they still refuse to lower oil prices despite repeated urgings from the Africans.

In response to the events in the Portuguese territories since the coup in Lisbon, the OAU reaffirmed its strong support of the anti-Portuguese liberation movements and called upon Lisbon to recognize the rebel state of "Guinea-Bissau" and the right of independence for Mozambique and Angola. The summit leaders, however, were unable to find a formula to unite the three competing Angolan liberation movements. A meeting has been scheduled for June 21 in Zambia to try and bring the three groups together.

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The US received less criticism than it has at previous summit sessions, probably a reflection of recent changes in Portuguese Africa and the Middle East.

OPEC

The Organization of Petroleum Exporting Countries at its quarterly meeting of ministers in Quito, Ecuador, agreed to continue the freeze on posted prices for oil and to increase members' royalty take by 2 percent--a hike of about one quarter of a cent per gallon.

The agreement was a compromise between Saudi Arabia, which had sought a reduction in posted prices, and 12 other members that had sought a jump in posted prices and government receipts of from three to ten cents per gallon. Saudi Petroleum Minister Yamani noted that Saudi Arabia opposed even the small increase in royalties, but conceded that higher prices for Saudi oil would result from the OPEC action.

The OPEC agreement will go into effect at the beginning of July and will cover a three-month period. The international oil companies can be expected to pass the price increase along to consumers. One OPEC official said that posted prices may go up again in the fourth quarter if the present rates of inflation continue in the industrial world.

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FOR THE RECORD

Netherlands: Defense Minister Vredeling has vowed that the Netherlands will not unilaterally reduce its ground forces committed to NATO as long as the NATO and Warsaw Pact states are unable to reach agreement in the force reduction talks in Vienna. One of the assumptions of a plan to reduce Dutch forces by 13 percent has been that Warsaw Pact reductions under MBFR would first be agreed to. Vredeling made the pledge to Eurogroup defense ministers last Thursday in Brussels where the Dutch plan was again sharply criticized. The extent of the proposed cuts has been opposed by Vredeling and other moderates in the Dutch cabinet. The North Atlantic Council is expected to express its views before the Dutch parliament recesses on June 27. The council report to The Hague will probably voice strenuous Allied objections to the plan. [REDACTED]

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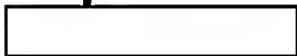
Japan-China: Tokyo apparently wants to adjourn the stalled fishing rights negotiations with Peking until this fall, or, perhaps at the earliest, until completion of the Law of the Sea Conference which begins this week in Caracas. The talks are deadlocked because China insists on certain catch limitations and supports a fisheries jurisdiction zone of some 200 miles offshore. Talks will begin in Tokyo next month on a shipping and navigation agreement between the two countries. [REDACTED]

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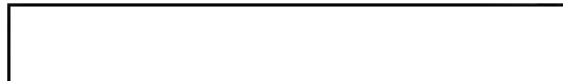
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